

Late last week the Wisconsin Department of Revenue (DOR) released its annual Equalized Values Report. The report indicates that statewide there was a decrease in property values of 0.5% to \$511 billion. In Rock County the decrease was 0.9% to \$10.6 billion, and in Evansville the decrease was 3.25% to \$336 million.

Evansville had \$7.8 million in new construction between January 1, 2008, and January 1, 2009. This was offset by an \$11.1 million decrease determined by the DOR due to economic conditions, based on their analysis of sales. There was an additional \$8.7 million decrease determined by DOR due to “other changes,” such as demolition of buildings or change in tax classification. This “other changes” number does seem large, and we are currently waiting on an explanation from DOR.

According to the DOR, state residential property values fell by just over 1% between January 1, 2008, and January 1, 2009. The report on residential values is in line with estimates from the Federal Housing Finance Agency (FHFA), which reported that Wisconsin's existing home values were nearly stable from 1st quarter 2008 to 1st quarter 2009, declining only 0.9%. Nationally, home values dropped by an average of 7.1%.

In comparison, DOR's figures for Evansville indicate a 5.8% decrease in residential values. With residential property comprising over 80% of the local tax base, this is a significant amount. Equalized values for commercial and manufacturing properties in Evansville increased 5.7% and 11.6% respectively.

The information in DOR's report should not be considered alarming. It is informational and provides some context for understanding the local market. However, a change in the equalized value does not translate directly into either the property tax rate or the dollar amount of property taxes.

The assessed value is the value placed on each parcel of real property and each individual's taxable personal property by the local assessor based on market value as of January 1 each year. State law recognizes that every municipality cannot be assessed exactly at market value each year. The law allows each municipality to be within 10% of market value, provided there is equity between the taxpayers of the municipality.

Comparing across years, we expect that Evansville's residential values are close but within the limit. In October, DOR produces its compliance figures. It is important for city officials to be aware of the compliance figures. On the one hand, being outside the 10% limit with assessed values would indicate that properties within the city are not valued as closely as they should be. And, if out of compliance for four years, state law requires a re-valuation of properties in the city.

The equalized value (the subject of the report released last week) is the conversion by DOR of the assessed value to a uniform level across all taxing jurisdictions in the state. This is figured to be at 100% of the actual market value. The equalized values are used for apportioning the county, public school, and vocational school property taxes and for distributing property tax relief.

In other words, the assessed value is important for maintaining equity among individual taxpayers within the city; whereas, the equalized value maintains equity between municipalities and counties.

A much more in-depth explanation of property values and property taxes is available in the Department of Revenue's *2009 Guide for Property Owners*; a copy is posted on the city website at www.ci.evansville.wi.gov – type “fiscal information” in the search box.

While you're reviewing the city's fiscal information, we encourage you to submit your budget suggestions to budget@ci.evansville.wi.gov.